



JIM JONES  
Director

# County of Los Angeles INTERNAL SERVICES DEPARTMENT

1100 North Eastern Avenue  
Los Angeles, California 90063

*"To enrich lives through effective and caring service"*

Telephone: (323) 267-2101  
FAX: (323) 264-7135

September 22, 2015


**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

#3

September 22, 2015

  
PATRICK OGAWA  
ACTING EXECUTIVE OFFICER

Dear Supervisors:

**PUBLIC HEARING ON PROPOSED POWER PURCHASE AGREEMENTS  
FOR INSTALLATION, OPERATION, AND MAINTENANCE OF SOLAR PANELS  
AT ELEVEN COUNTY FACILITIES; AND FOR DELEGATION OF  
CERTAIN CONTRACT AMENDMENT AUTHORITY  
(ALL DISTRICTS – 3 VOTES)**

**SUBJECT**

This item is in support of the Rooftop/Parking Lot Solar Panel Pilot Project ordered by your Board on July 21, 2015.

Adopt a Resolution with a determination that the requirements of California Government Code section 4217.10 *et seq.* are duly met in the proposed Power Purchase Agreements (PPAs) for each of the eleven County of Los Angeles (County) facilities and delegate authority to the Director of Internal Services to amend the Energy Efficiency Project Master Agreement (EEPMA).

**IT IS RECOMMENDED THAT THE BOARD:**

1. **Public Hearing & Resolution.** Adopt the attached Resolution (Attachment 1) with a finding that (i) the anticipated cost to the County for electrical energy under the proposed Power Purchase Agreements (PPAs) will be less than the anticipated marginal cost to the County of energy that would have been consumed by the County in the absence of those purchases, and (ii) the difference, if any, between the fair rental value for the real property subject to the facility license agreement and the agreed rent is anticipated to be offset by below-market energy purchases or other benefits provided under the PPA, pursuant to Government Code section 4217.12.

2. **PPA Assignment Authority.** Delegate authority to the Director of Internal Services Department (ISD) or his designee to execute applicable amendments to (i) amend the current EEPMA Request for Statement of Qualifications (RFSQ) to add a Special Purpose Entity (SPE) service category, and (ii) assign PPAs executed under the (EEPMA) including any ancillary license agreement(s) and other documents necessary for the operation and maintenance of the solar panels.
3. **PPA Rate Adjustment Authority.** Delegate authority to the Director of ISD or his designee to increase PPA rates in an amount County determines necessary to modify the design and installation of solar panels to uphold the viability of a County facility, these increases would be capped at 6% per site.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS**

On June 3, 2015, the Director of ISD submitted a report to your Board outlining potential installation of solar at eleven County-owned sites in various County department facilities. The report further details the costs and benefits of installing solar, which could provide 15% to 80% of each facility's electrical needs. The report concludes that under the PPA model for the eleven sites, annual electricity costs are projected to be 19% less expensive than business-as-usual in year one, and 55% less expensive over 20 years in Net Present Value terms.

On July 21, 2015, your Board approved a motion delegating authority to the Director of ISD or his designee to negotiate and execute PPAs for the eleven County facilities, including any ancillary license agreement(s) and other documents necessary for the operation and maintenance of solar panels at the County facilities. The eleven proposed PPAs constitute Phase One of a four-phased approach to accelerate the County adoption of solar on County buildings.

#### **1. Public Hearing & Resolution**

The first recommended action is required to comply with California Government Code section 4217.10, *et seq*, which requires the Board to take the following actions:

- Hold a public hearing at a regularly scheduled meeting and public notice of which is given at least two weeks in advance;
- Find the anticipated cost to the County for electrical energy under the proposed PPAs will be less than the anticipated marginal cost to the County of energy that would have been consumed by the County in the absence of those purchases; and
- Find the difference, if any, between the fair rental value for the real property subject to the facility license agreement and the agreed rent is anticipated to be offset by below-market energy purchases or other benefits provided under the PPAs.

#### **2. PPA Assignment Authority**

The second recommendation is required to allow the County PPAs to comport to the industry-wide delivery model, which is designed to qualify for certain Federal tax credits. Under the industrywide PPA model, the system owner is an SPE (special purpose entity, aka a holding company) established by a developer to own the system assets. The SPE limits the developer's liability in connection with a solar system to the developer's investment in the SPE, and permits the system to be financed on a "project" basis. An SPE will be required to obtain and maintain insurance at the same levels required for in the PPAs, and the County will require that an Operations and Maintenance agreement between the developer and the SPE include the County as a party to the contract.

In effect, the selected PPA vendor would create a wholly owned or controlled affiliate, and then assign the PPA to the affiliate. The affiliate would turn around and retain the selected PPA vendor under an ongoing Operations and Maintenance agreement to ensure that the County enjoys the benefit of services of its selected PPA vendor.

This will require the assignment of the PPA to an SPE under EEPMA. To achieve this, the current RFSQ for EEPMA will be amended to add an SPE category.

### **3. PPA Rate Adjustment Authority**

The third recommendation will give ISD delegated authority to increase PPA rates if unanticipated work is required at a project site before the design phase is completed. Such PPA rate increase would cover costs that the County determines are a result of unforeseeable conditions, such as County-owned electrical equipment deficiencies, underground obstructions, or atypical soil conditions. These increases would be capped at 6% per site. So even in the unlikely scenario that unforeseen and unavoidable remediation work were needed at all eleven pilot project sites, there would still be an average annual cost savings over the term of the PPA of \$975,000.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

These recommended actions support Goal 1, Operational Effectiveness, by developing and implementing a pilot program that promotes financially and environmentally responsible practices.

These recommended actions also support Goal 3, Community and Municipal Services, by providing a program that promotes clean energy production, and enhances health and sustainable practices in the County.

## **FISCAL IMPACT/FINANCING**

The proposed PPAs will reduce Southern California Edison (SCE) electricity costs for the subject facilities as soon as the solar panels begin generating electricity. These SCE electricity costs savings will be used to pay the PPA provider for the solar electricity generated. The solar PPA costs are fixed for 20 years and are estimated to be 19% less expensive than business as usual in year one and 55% less expensive over 20 years in Net Present Value terms. As the solar projects generate lower cost energy, ISD will reduce the Services & Supplies appropriation in future fiscal year budget submittals for the Utilities budget based upon actual cost information. There is adequate appropriation in the Fiscal Year 2015-16 Utilities Budget for the PPA costs.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Required public hearing notice was given pursuant to the procedures and requirements set forth in California Government Code Sections 4217.10-4217.18.

### **ENVIRONMENTAL DOCUMENTATION**

As your Board found on July 21, 2015, the proposed project is statutorily and categorically exempt from the provisions of the California Environmental Quality Act (CEQA), California Public Resources Code Section 21080.35, which exempts solar energy systems installed on existing rooftops or at existing parking lots.

ISD will file a Notice of Exemption with the County Clerk in accordance with Section 15062 of the CEQA Guidelines.

### **CONTRACTING PROCESS**

On February 18, 2015, ISD released two work order solicitations for Rooftop and Canopy (parking lot coverage) Solar Pilot Projects for various County facilities under its EEPMA. The scope of the solar projects was for:

1. Small Installations (15 sites at less than 200 kilowatts - solicitation number EEP131), and
2. Larger Installations (11 sites at over 200 kilowatts - solicitation number EEP132).

Eighteen qualified EEPMA vendors, under the Renewable Resources and Distributed Generation Power category, were notified of the solicitation opportunities. Per your Board's instruction, no more than 15 projects would have been awarded.

On February 26, 2015, eight vendors attended the mandatory proposer's conference and job walks.

March 31, 2015 was the deadline for proposals. No proposals were received for the Small Installations/EEP131. Four proposals were received for Larger Installations/EEP132. The four proposals were reviewed and found to be in compliance with the minimum requirements set forth in the Work Order Solicitation, and then advanced to an evaluation committee for scoring in accordance with the evaluation criteria set forth in the solicitation.

As instructed by your Board on July 21, 2015, ISD is currently in negotiations with the highest ranking proposer.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

The proposed pilot project for installing, operating, and maintaining solar panels on certain County facilities would reduce the County's utilities budget.

Further, electricity produced by these projects would be at known and consistent prices or costs, which would serve as a financial hedge for the County against rising electricity prices in the future.

Finally, this pilot project would decrease the production of greenhouse gases and air pollution in the region.

### **CONCLUSION**

Please return an adopted copy of this letter and a signed original of the Resolution to the Director of the Internal Services Department.

Respectfully submitted,

JIM JONES  
Director

JJ:DC:JLG:AK:YY:OS

Enclosures

c: Executive Office, Board of Supervisors  
Chief Executive Officer  
County Counsel

## ATTACHMENT 1

### RESOLUTION ON PROPOSED POWER PURCHASE AGREEMENTS FOR INSTALLATION, OPERATION AND MAINTENANCE OF SOLAR PANELS AT ELEVEN COUNTY FACILITIES

**WHEREAS**, the California legislature seeks to encourage the implementation of energy projects at public facilities through legislation designed to provide the greatest possible flexibility to public agencies in structuring agreements for alternative energy projects (Government Code sections 4217.10, *et seq.*);

**WHEREAS**, Government Code section 4217.10, *et seq.*, authorizes agencies such as the County of Los Angeles ("County") to develop energy conservation, cogeneration, and alternate energy sources at facilities owned by such public agencies;

**WHEREAS**, on February 18, 2015, ISD released a solicitation for Rooftop and Canopy (parking lot coverage) Solar Pilot Projects for eleven County facilities under its Energy Efficiency Project Master Agreement (EEPMA);

**WHEREAS**, on June 3, 2015, an Internal Services Department (ISD) report to the Board of Supervisors ("Board") concluded that Power Purchase Agreements at eleven County sites provides both qualitative and quantitative benefits to the County;

**WHEREAS**, on July 21, 2015, the Board delegated authority to the Director of ISD or his designee to negotiate and execute Power Purchase Agreements as part of Phase One of a four-phased approach to accelerate the County's adoption of solar on County buildings, including any ancillary license agreements necessary for the installation, operation and maintenance of solar panels at eleven County facilities;

**WHEREAS**, Section 4217.12 of the California Government Code authorizes the County to enter into a contract for design and construction of solar facilities on terms the Board determines are in the best interests of the County; and

**WHEREAS**, on September 22, 2015, pursuant to Government Code section 4217.12, the Board heard public comment on and considered the details of the proposed Power Purchase Agreements.

**NOW THEREFORE, BE IT RESOLVED** that based on staff reports, public comment, and the administrative record as a whole, and pursuant to Government Code section 4217.12, the Board finds that the anticipated cost to the County for electrical energy under the proposed Power Purchase Agreements will be less than the anticipated marginal cost to the County of energy that would have been consumed by the County in the absence of those purchases;

**BE IT FURTHER RESOLVED** that the Board finds the difference, if any, between the fair rental value for the real property subject to the facility license agreement and the agreed rent is anticipated to be offset by below-market energy purchases or other benefits provided under the Power Purchase Agreements;

**BE IT FURTHER RESOLVED** that the Board has determined it is in the best interest of the County to move forward with implementation of Phase One of a four-phased approach to accelerate the County's adoption of solar on County buildings;

**BE IT FURTHER RESOLVED** that the Board received public comment on the proposed project at its regularly scheduled meeting on September 22, 2015, prior to consideration of this resolution;

**BE IT FURTHER RESOLVED** that based on staff reports reviewed by the Board, public comment and the administrative record as a whole, the Board finds it is in the best interest of the County to enter into Power Purchase Agreements subsequent to adoption of this resolution; and

**BE IT FINALLY RESOLVED** that the Director of ISD or his designee is authorized to enter into Power Purchase Agreements for the installation, operation and maintenance of solar panels at eleven County facilities on behalf of the County and to take all steps necessary to execute and implement agreements and to take any actions deemed necessary to best protect the interest of the County.

The foregoing resolution was adopted on the 22nd day of September, 2015 by the Board of Supervisors of the County of Los Angeles.



PATRICK OGAWA

Acting Executive Officer of the  
Board of Supervisors of the  
County of Los Angeles

By 

Deputy

APPROVED AS TO FORM:

Mary C. Wickham  
Interim County Counsel

By 

Deputy County Counsel